

ANNUAL REPORT FOR THE YEAR 1960

AR53



AMERICAN-Standard

MAR 8 1961

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AMERICAN RADIATOR & STANDARD SANITARY CORPORATION

Board of Directors

COURTNEY C. BROWN, Dean, Graduate School of Business, Columbia University
MARK A. BROWN, President retired, Harris Trust & Savings Bank
ADRAIN R. FISHER, Director, Johns-Manville Corporation
JOSEPH A. GRAZIER, President, American-Standard
JOHN C. LINSSENMEYER, Executive Vice President, American-Standard
DAVID L. LUKE, President, West Virginia Pulp and Paper Company
GEORGE P. MACNICHOL, JR., President, Libbey-Owens-Ford Glass Company
ALEXANDER C. NAGLE, Director, The First National City Bank of New York
LAURENCE C. WARD, Vice President, American-Standard
HENRY S. WINGATE, Chairman, The International Nickel Company of Canada, Ltd.
HERBERT B. WOODMAN, President, Interchemical Corporation

Executive Committee

| | | |
|-------------------|----------------------|--------------------|
| COURTNEY C. BROWN | JOSEPH A. GRAZIER | DAVID L. LUKE |
| ADRAIN R. FISHER | JOHN C. LINSSENMEYER | ALEXANDER C. NAGLE |

Officers

| | |
|--|---|
| JOSEPH A. GRAZIER, President | |
| JOHN C. LINSSENMEYER, Executive Vice President | |
| WILLIAM A. BAUER, Group Vice President | DAVID A. DE WAHL, Secretary |
| DONALD D. COUCH, Group Vice President | BENJAMIN F. VAN WORMER, Comptroller |
| GERALD F. GAMBER, Vice President | REED D. ANDREW, Assistant Secretary |
| JOHN K. MILLER, Vice President | JOHN P. HOCHADEL, Assistant Secretary |
| HOWARD L. SPINDLER, Vice President | FREDERICK W. JAQUA, Assistant Secretary |
| LAURENCE C. WARD, Vice President | HARRY W. SIEFERT, Assistant Comptroller |
| JAMES L. BRIGGS, Treasurer | SYDNEY A. WOODED-CAHUSAC, Assistant Treasurer |



AMERICAN-Standard

AMERICAN RADIATOR & STANDARD SANITARY CORPORATION

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Annual Meeting

The Annual Meeting of Stockholders will be held on Thursday, April 13, 1961 in Carnegie Hall, Seventh Avenue and 57th Street, New York City, at 2 p.m.

Executive Offices

40 West 40th Street, New York 18, N. Y.

General Counsel

Sullivan & Cromwell, New York, N. Y.

Auditors

Arthur Young & Company, New York, N. Y.

Stock Transfer Offices

Preferred and Common Stocks:

Office of the Corporation,

50 West 40th Street, New York 18, N. Y.

Common Stock:

Harris Trust and Savings Bank, Chicago 90, Illinois

Registrars

Preferred and Common Stocks:

The First National City Bank of New York,
New York 15, N. Y.

Common Stock:

The First National City Bank of Chicago,
Chicago 90, Illinois

For Homes:

Bathrooms, Kitchens,
Air Conditioning, Heating,
Water Heaters

For Educational Buildings:

Air Conditioning, Heating and
Ventilating, Plumbing Fixtures,
Furniture Panels, Boilers,
Water Heaters

For Commercial and Institutional Buildings:

Air Conditioning, Centrifugal
Refrigerators, Heating and
Ventilating, Plumbing Fixtures,
Valves, Boilers, Water Heaters

For Public Utility Power Plants:

Fluid Drives, Mechanical Draft
Blowers, Controls, Low Level
Economizers, Fly Ash Precipitators,
Coil Type Air Preheaters,
Gauges

For Processing Industries:

Fluid Drives, Centrifugal
Compressors, Fans and Blowers,
Dust Collectors, Controls,
Refrigeration Units, Valves,
Heat Exchangers, Gauges

For Manufacturing Industries:

Thermostatic Controls,
Appliance Controls and Accessories,
Furniture Panels, Metal Stampings,
Oil Coolers, Molded Plastics,
Precision Micro-Switches, Gauges,
Refrigeration Specialties, Pig Iron,
Vehicle Instrumentation, Valves

For Advanced Technological Areas of Government and Industry:

Atomic Reactors, Advanced
Instrumentation, Astronautic
Equipment, Research Service in
Metallurgy, Nucleonics and
Astronautics



Financial Highlights

| | 1960 | 1959 |
|--|---------------|---------------|
| Net sales | \$480,236,000 | \$517,413,000 |
| Net income | 13,189,000 | 21,371,000 |
| Per share of common stock | 1.10 | 1.80 |
| Dividends paid—preferred stock | 307,000 | 307,000 |
| —common stock | 9,347,000 | 8,775,000 |
| Per share of common stock | .80 | .75 |
| Net income retained after payment of dividends | 3,535,000 | 12,289,000 |
| Working capital | 164,508,000 | 163,136,000 |
| Ratio of current assets to current liabilities | 3.8 to 1 | 3.6 to 1 |
| Property, plant and equipment—net | 144,839,000 | 147,909,000 |
| Capital expenditures | 15,247,000 | 14,536,000 |
| Depreciation | 15,010,000 | 15,187,000 |
| Book value per share of common stock | 23.79 | 23.45 |
| Average number of employees | 36,200 | 37,100 |



A Letter from the President

To our Stockholders:

The year 1960 was one of widespread disappointment. Not only did forecasts of a business upswing prove erroneous, but a pattern of recession developed as the year progressed.

The dominant influence on American-Standard business in 1960 was the price squeeze in the United States resulting from lower demand and increased competition in most of the markets we serve. Domestic sales and profits were below those of 1959.

Sales of European companies in 1960, on the other hand, were higher than in 1959, but profits were somewhat lower. European markets are changing, but we still expect continued growth in that area.

Details of the year's operations are contained in the accompanying report, the highlights of which are set forth on the opposite page. Financially we remain strong and in a position to take advantage of opportunities for increased profit and expansion which the future may offer.

For American-Standard, as for many other companies, the major immediate challenge is to offset constantly rising costs. During 1960 we devoted wide attention to cost reduction and product improvement programs, and most of our capital expenditures were directed toward these goals. Attention is also being given to possible discontinuance and replacement of products where prospects for satisfactory profits under normal conditions are not favorable. These moves are expected to improve our earnings in future years.

As a step in adding to our line of instruments and controls, we acquired, in the latter part of 1960, Rochester Manufacturing Co., Inc., a producer of pressure and temperature instruments. We agreed to a court decree calling for the divestment of our Youngstown Kitchens Division, which we are currently attempting to carry out.

I wish to express my appreciation for the loyalty and assistance of the American-Standard family of stockholders, customers and employees throughout the year.

By the order of the Board of Directors,

PRESIDENT

February 16, 1961

1960 in Review

1960 Operations

Home building in the United States slowed down in 1960. The rate of new housing starts declined throughout the year, with the sharpest drop occurring in the last half. At the end of the twelve months total starts were 1,281,000. In 1959 housing starts totaled 1,553,000, some 20 per cent more than in 1960.

The manufacturing, selling and pricing actions of producers of plumbing, heating and air conditioning equipment depend basically upon new construction. With fewer new homes being built, competition among manufacturers to sell equipment for those homes increased. Prices for plumbing, heating and air conditioning equipment weakened, so despite the maintenance of unit sales volume in some important lines our profit margins were narrowed substantially. These industry conditions more than offset gains made during the year in reducing costs and improving product lines.

Primarily as a result of the situation in the home products field, U. S. sales fell from \$397,148,000 in 1959 to \$353,356,000 in 1960, while earnings from U. S. operations dropped from \$11,074,000 to \$4,522,000. Profits were also affected by heavier than expected startup costs for certain new products.

Inventories in certain product lines, which were unseasonably high at year end, coupled with an expected continuation of the depressed rate of home building for the first few months of 1961, indicate that it will be several months

at least before strengthened profit margins in these lines can be expected.

We hope to improve our results in our engineered products activities in 1961, not through any substantial overall market growth, but from our increased investment in research and product development and cost reduction programs in these product areas.

The picture in Europe in 1960 was markedly different from that in the United States. Sales there in 1960 led the way to the overall increase in foreign sales from \$120,265,000 in 1959 to \$126,880,000 in 1960. Foreign earnings were down from \$10,297,000 in 1959 to \$8,667,000 in 1960. This decline was due to a number of factors, principally non-recurring income items in 1959 and higher labor and material costs which could not be recovered through price increases. During the year we completed construction of a radiator plant in France and purchased a steel fabricating company in Italy.

In Canada profits reflected the general business recession and the drop in home building, which were more severe than in the United States. Operations in Brazil, which are still in the development stage, have not yet reached a profitable level, but we completed during the year the shift in production to the uniform, high quality sanitary ware for which we are known throughout the world.

Our world-wide export sales in 1960 were approximately the same in volume as in 1959. However, the shift in export sales from home

equipment to engineered products continues, indicating both increasing demand for industrial equipment and increasing local production of home equipment.

Research and Product Development

Approximately \$5,700,000 was spent for research and product development in 1960, compared to \$4,800,000 in 1959. Part of this expenditure was for the increased staff and expanded program at the corporate research laboratory in Union, New Jersey, while most of the balance was for product development work carried on by the various divisions. Outside research and design experts were also consulted.

At the corporate laboratory the emphasis is on long-range projects, and the work centers on the creation and testing of new theories, new approaches and new materials. A majority of the projects are related to our basic fields of heating, cooling, heat transfer and ceramics.

The development and improvement of specific products is the primary responsibility of the operating divisions. Our home product divisions have been advancing steadily in this area. As little as five years ago, for example, bathroom fixtures bore a strong resemblance to pre-war products. Now, new concepts, new styles and new colors dominate the field.

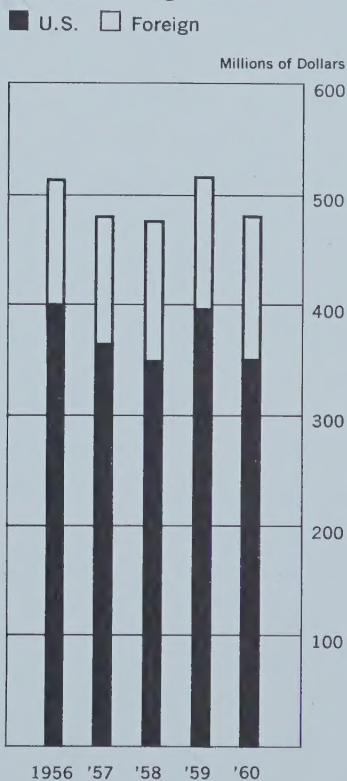
Advances have also been made in air conditioning. The development of our improved central systems, low in cost and efficient in operation, has been in step with the growing popularity and increasing market for these products.

In the engineered products area, the most marked changes recently have been in controls and instrumentation, where our product lines

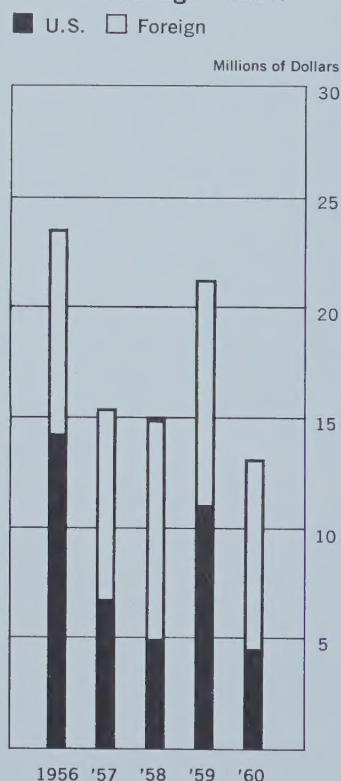
have been almost completely revised. These include new style thermostats, new solenoid and refrigeration valves, precision switches, and automotive air conditioning valves. The acquisition of Rochester Manufacturing Co. Inc., with its plants in Rochester, New York, and Monrovia, California, gave us new lines of pressure and temperature instruments.

Other new engineered products introduced in 1960 were electrostatic precipitators for industrial air cleaning, steel boiler-burner combinations, multi-zone units for heating, cooling and ventilating buildings, liquid dispensers for home laundries and melt transducers for plastics fabricating machinery.

U.S. and Foreign Sales



U.S. and Foreign Income



Our Advanced Technology Laboratories Division continues to progress in the areas of atomics and missilery. The Discoverer Satellites, whose capsules were recently successfully recovered, contained our horizon scanner, an important control.

Anti-Trust Suit

On September 20, 1960, we consented to the entry of a judgment ending the suit brought by the Department of Justice on March 30, 1956 claiming that the merger with Mullins Manufacturing Corporation violated Section 7 of the Clayton Act.

The Court did not rule on whether anti-trust laws had been violated, a claim which we have at all times denied. Agreement to the judgment removed the uncertainty under which the Youngstown Kitchens Division has been forced to operate, a condition which could have continued several more years if the case had been fought to conclusion through trial and appeals.

The judgment provides, among other things, that American-Standard make a bona fide effort to divest itself of the Youngstown Kitchens Division, which currently carries on a contract stamping business and makes steel kitchen sinks, cabinets and other kitchen products. If the Company cannot dispose of the Division by June 1, 1961, the judgment permits application to the Court for its modification.

Changes in Management Personnel Made During Year

We regret to report the death, on December 27, 1960, of George H. Coppers, chairman of the National Biscuit Company and a Director of American-Standard since 1954.

William B. Murphy, President of the Campbell Soup Company, resigned from the Board of Directors of American-Standard during the year because of the demands upon his time and energies resulting from his acceptance of chairmanship of the Crusade for Freedom. He had been a Director since 1953.

Herbert B. Woodman, President of Interchemical Corporation, was elected to succeed Mr. Murphy as a Director.

The following executive changes were made during the year:

John K. Miller, formerly Director, Foreign Divisions, was elected Vice President, International Operations.

Robert F. Sells, former President of Amstan Supply Division, retired after 38 years of service.

C. Gilmore Ruston was appointed President, Amstan Supply Division.

Wells A. Gardner was appointed President, Youngstown Kitchens Division.

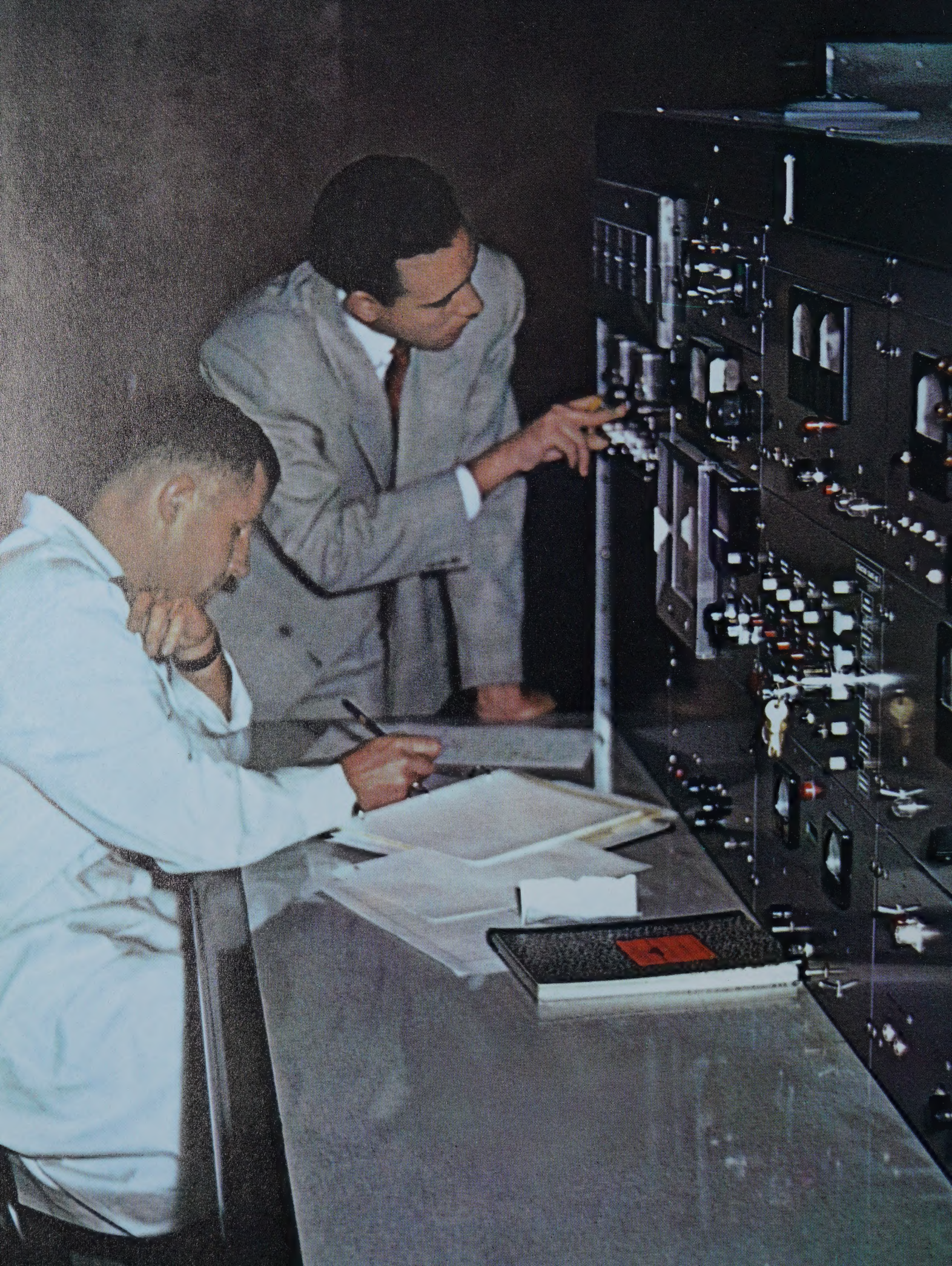
Frank J. Berberich, formerly Secretary, was appointed General Manager, Europe.

David A. De Wahl, formerly Assistant Secretary, was elected Secretary.

Frederick W. Jaqua was appointed Assistant Secretary.

American-Standard bathroom fixtures are made in a wide variety of styles and colors. The picture at the right indicates how diversified bathroom design and decor can be.





Financial Section

Sales

Consolidated net sales in 1960 totaled \$480,235,706 compared to \$517,413,196 in 1959, a decrease of 7%. Sales of the U. S. Company and foreign subsidiaries were as follows:

| | 1960 | 1959 |
|----------------------|----------------------|----------------------|
| U. S. Company . . . | \$353,356,320 | \$397,148,439 |
| Foreign subsidiaries | <u>126,879,386</u> | <u>120,264,757</u> |
| | <u>\$480,235,706</u> | <u>\$517,413,196</u> |

Sales by quarters for 1960 and 1959 were:

| Quarter | 1960 | 1959 |
|------------------|---------------|---------------|
| First | \$113,267,000 | \$116,399,000 |
| Second | 122,005,000 | 130,465,000 |
| Third | 127,361,000 | 137,418,000 |
| Fourth | 117,603,000 | 133,131,000 |

Earnings

Consolidated net income amounted to \$13,189,119, or \$1.10 per common share, as compared with \$21,371,257 for 1959, or \$1.80 per common share. Earnings of the U. S. Company and foreign subsidiaries were as follows:

| | 1960 | 1959 |
|----------------------|----------------------|----------------------|
| U. S. Company . . . | \$ 4,521,585 | \$ 11,074,365 |
| Foreign subsidiaries | <u>8,667,534</u> | <u>10,296,892</u> |
| | <u>\$ 13,189,119</u> | <u>\$ 21,371,257</u> |

Dividends received in the United States from foreign subsidiaries, not included in the earnings of the U. S. Company above, amounted to \$5,328,862 in 1960 and \$4,985,518 in 1959, after withholding taxes of \$614,939 and \$527,401, respectively.

The picture at the left shows an American-Standard representative explaining the operation of the control panel of one of our nuclear reactors at a U. S. Government atomic energy exhibition overseas.

Dividends

Dividend payments on common stock in 1960 totaled \$9,347,309, which was equal to \$.80 per share. In 1959 dividend payments on common stock were \$8,774,925, equivalent to \$.75 per share. In both years dividends of \$307,048 were paid to holders of preferred stock.

Working Capital

Our financial position continues strong. Working capital at the year end amounted to \$164,508,449, an increase of \$1,372,548 over 1959. A comparative summary of working capital at December 31 is shown below:

| | 1960 | 1959 |
|-------------------------|----------------------|----------------------|
| Cash | \$ 30,084,497 | \$ 30,936,401 |
| Securities | 15,702,156 | 21,934,829 |
| Accounts receivable | 58,955,532 | 65,058,000 |
| Inventories | 116,888,321 | 105,321,957 |
| Prepaid expenses . . | <u>1,819,272</u> | <u>1,625,144</u> |
| Current assets | 223,449,778 | 224,876,331 |
| Current liabilities . . | <u>58,941,329</u> | <u>61,740,430</u> |
| Working capital. | <u>\$164,508,449</u> | <u>\$163,135,901</u> |

Principal changes in working capital in 1960 are accounted for as follows:

Additions:

| | |
|---|-------------------|
| Net income | \$ 13,189,119 |
| Depreciation and disposal of property . . | <u>18,277,101</u> |
| | <u>31,466,220</u> |

Deductions:

| | |
|--|-------------------|
| Capital expenditures . . . | 15,246,672 |
| Dividends paid | 9,654,357 |
| Investment in Brazilian subsidiary | 240,788 |
| Decrease in notes payable | 4,134,760 |
| Other items | <u>817,095</u> |
| | <u>30,093,672</u> |

Increase \$ 1,372,548

Inventories

A comparative summary as of December 31 follows:

| | 1960 | 1959 |
|----------------------|----------------------|----------------------|
| Finished goods . . . | \$ 65,240,184 | \$ 54,147,671 |
| Work in process . . | 19,863,639 | 18,543,999 |
| Raw materials . . . | 23,009,083 | 23,729,115 |
| Supplies | 8,775,415 | 8,901,172 |
| | <u>\$116,888,321</u> | <u>\$105,321,957</u> |

Property, Plant and Equipment

In 1960 American-Standard spent \$9,173,995 in the United States and \$6,072,677 in Canada and Europe for additions to, and improvements of, production and distribution facilities, bring-

ing the total for the last five years to \$68,800,000 in the United States and \$34,600,000 in Canada and Europe.

Following is a comparative summary of property as of December 31:

| | 1960 | 1959 |
|-------------------------------------|----------------------|----------------------|
| Land | \$ 9,687,182 | \$ 9,658,605 |
| Buildings | 110,077,783 | 110,052,317 |
| Machinery and equipment | 174,002,739 | 165,966,457 |
| Improvements in progress | 5,700,087 | 6,336,698 |
| | <u>299,467,791</u> | <u>292,014,077</u> |
| Less accumulated depreciation . . . | 154,628,775 | 144,105,548 |
| | <u>\$144,839,016</u> | <u>\$147,908,529</u> |

Auditors' Report

Stockholders and the Board of Directors,
American Radiator & Standard Sanitary Corporation:

We have examined the accompanying consolidated balance sheet of American Radiator & Standard Sanitary Corporation at December 31, 1960 and the related consolidated statements of income and earned surplus for the year then ended. Of the foreign subsidiaries included therein, we examined the financial statements of the subsidiaries in Canada, France and Germany and accepted reports on examinations made by independent public accountants for the other foreign subsidiaries. All these examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the statements mentioned above present fairly the consolidated financial position of American Radiator & Standard Sanitary Corporation at December 31, 1960 and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ARTHUR YOUNG & COMPANY

New York, N. Y.
February 16, 1961



Consolidated Statement of Income

YEAR ENDED DECEMBER 31

| | 1960 | 1959 |
|--|----------------------|----------------------|
| Net sales | \$480,235,706 | \$517,413,196 |
| Cost of goods sold | 389,124,890 | 412,413,323 |
| Gross profit | 91,110,816 | 104,999,873 |
| Selling and administrative expense | 65,832,830 | 64,170,997 |
| | 25,277,986 | 40,828,876 |
| Interest expense, net | 88,867 | 267,619 |
| | 25,189,119 | 40,561,257 |
| Taxes on income | 12,000,000 | 19,190,000 |
| Net Income | \$ 13,189,119 | \$ 21,371,257 |

Provision for depreciation included above: 1960, \$15,010,176; 1959, \$15,187,202

Consolidated Statement of Earned Surplus

YEAR ENDED DECEMBER 31

| | 1960 | 1959 |
|--|----------------------|----------------------|
| Balance January 1 | \$156,732,926 | \$144,443,642 |
| Net income | 13,189,119 | 21,371,257 |
| | 169,922,045 | 165,814,899 |
| Dividends paid: | | |
| Preferred | 307,048 | 307,048 |
| Common | 9,347,309 | 8,774,925 |
| | 9,654,357 | 9,081,973 |
| Balance December 31 (Note 3) | \$160,267,688 | \$156,732,926 |

Reference is made to accompanying notes on page 16

CONSOLIDATED

Assets

| | AT DECEMBER 31 | |
|---|-----------------------------|-----------------------------|
| | 1960 | 1959 |
| Cash | \$ 30,084,497 | \$ 30,936,401 |
| U. S. Government securities, at cost | 4,446,101 | 17,085,959 |
| Other marketable securities, at cost | 11,256,055 | 4,848,870 |
| Accounts receivable, less allowances for losses (1960, \$2,800,283; 1959, \$2,833,673) | 58,955,532 | 65,058,000 |
| Inventories (Note 2) | 116,888,321 | 105,321,957 |
| Prepaid expenses | <u>1,819,272</u> | <u>1,625,144</u> |
| Total current assets | 223,449,778 | 224,876,331 |
| Investment in Brazilian subsidiary, at cost | 2,322,217 | 2,081,429 |
| Sundry investments and deferred items | 3,993,591 | 3,608,924 |
| Property, plant and equipment, at cost less accumu- lated depreciation (1960, \$154,628,775; 1959, \$144,105,548) | <u>144,839,016</u> | <u>147,908,529</u> |
| | <u><u>\$374,604,602</u></u> | <u><u>\$378,475,213</u></u> |



AT DECEMBER 31

| | 1960 | 1959 |
|--|-------------------|-------------------|
| Notes payable due in one year | \$ 4,748,756 | \$ 3,131,120 |
| Accounts payable and accrued liabilities | 39,857,634 | 39,404,604 |
| Taxes on income | 14,334,939 | 19,204,706 |
| Total current liabilities | 58,941,329 | 61,740,430 |
| Notes payable, less current portion (Note 3) | 15,398,720 | 19,533,480 |
| Minority interests in foreign subsidiaries | 3,845,209 | 3,843,639 |
| Reserve for foreign operations | 14,896,200 | 14,915,569 |

| | | |
|--|----------------------|----------------------|
| Preferred stock—7% cumulative; \$100 par value, redemption price and preference on liquidation \$175 per share; authorized and outstanding 43,864 shares | 4,386,400 | 4,386,400 |
| Common stock—\$5 par value; authorized 15,000,000 shares; issued 11,709,936 shares | 58,549,680 | 58,549,680 |
| Capital surplus | 59,128,112 | 59,128,112 |
| Earned surplus (Note 3) | 160,267,688 | 156,732,926 |
| | 282,331,880 | 278,797,118 |
| Common stock held in treasury, at cost (1960, 61,899 shares; 1959, 25,000 shares) | 808,736 | 355,023 |
| | 281,523,144 | 278,442,095 |
| | \$374,604,602 | \$378,475,213 |

Reference is made to accompanying notes on page 16

STATISTICAL SUMMARIES

DOLLAR AMOUNTS IN THOUSANDS

Statement of Income

| | CONSOLIDATED | | U. S. COMPANY | | FOREIGN SUBSIDIARIES | |
|--|------------------|------------------|-------------------------------|--------------------------------|----------------------|------------------|
| | 1960 | 1959 | 1960 | 1959 | 1960 | 1959 |
| Net sales | \$480,236 | \$517,413 | \$353,356 | \$397,148 | \$126,880 | \$120,265 |
| Cost of goods sold | <u>389,125</u> | <u>412,413</u> | <u>293,030</u> | <u>322,200</u> | <u>96,095</u> | <u>90,213</u> |
| Gross profit | 91,111 | 105,000 | 60,326 | 74,948 | 30,785 | 30,052 |
| Selling and administrative expense | <u>65,833</u> | <u>64,171</u> | <u>50,676</u> | <u>51,646</u> | <u>15,157</u> | <u>12,525</u> |
| | 25,278 | 40,829 | 9,650 | 23,302 | 15,628 | 17,527 |
| Interest expense, net | <u>89</u> | <u>268</u> | <u>299</u> | <u>424</u> | <u>(210)</u> | <u>(156)</u> |
| | 25,189 | 40,561 | 9,351 | 22,878 | 15,838 | 17,683 |
| Taxes on income | <u>12,000</u> | <u>19,190</u> | <u>4,829</u> | <u>11,804</u> | <u>7,171</u> | <u>7,386</u> |
| Net Income | <u>\$ 13,189</u> | <u>\$ 21,371</u> | <u>\$ 4,522^(A)</u> | <u>\$ 11,074^(A)</u> | <u>\$ 8,667</u> | <u>\$ 10,297</u> |

Balance Sheet

| | CONSOLIDATED | | U. S. COMPANY | | FOREIGN SUBSIDIARIES | |
|---|------------------|------------------|------------------|------------------|----------------------|------------------|
| | 1960 | 1959 | 1960 | 1959 | 1960 | 1959 |
| Assets | | | | | | |
| Cash | \$ 30,085 | \$ 30,936 | \$ 21,944 | \$ 22,356 | \$ 8,141 | \$ 8,580 |
| U. S. Government securities | 4,446 | 17,086 | 4,446 | 16,661 | — | 425 |
| Other marketable securities | 11,256 | 4,849 | 5,982 | — | 5,274 | 4,849 |
| Accounts receivable, net | 58,956 | 65,058 | 38,904 | 46,692 | 20,052 | 18,366 |
| Inventories | 116,888 | 105,322 | 87,596 | 79,365 | 29,292 | 25,957 |
| Prepaid expenses | <u>1,819</u> | <u>1,625</u> | <u>1,226</u> | <u>1,271</u> | <u>593</u> | <u>354</u> |
| Total current assets | 223,450 | 224,876 | 160,098 | 166,345 | 63,352 | 58,531 |
| Investment in Brazilian subsidiary | 2,322 | 2,081 | 2,322 | — | — | 2,081 |
| Sundry investments and deferred items . | 3,994 | 3,609 | 2,731 | 2,868 | 1,263 | 741 |
| Property, plant and equipment, net | <u>144,839</u> | <u>147,909</u> | <u>103,696</u> | <u>107,772</u> | <u>41,143</u> | <u>40,137</u> |
| | <u>\$374,605</u> | <u>\$378,475</u> | <u>\$268,847</u> | <u>\$276,985</u> | <u>\$105,758</u> | <u>\$101,490</u> |
| Liabilities | | | | | | |
| Notes payable due in one year | \$ 4,749 | \$ 3,131 | \$ 4,000 | \$ 3,000 | \$ 749 | \$ 131 |
| Accounts payable and accrued liabilities . | 39,858 | 39,405 | 24,769 | 25,789 | 15,089 | 13,616 |
| Taxes on income | <u>14,335</u> | <u>19,204</u> | <u>5,273</u> | <u>11,046</u> | <u>9,062</u> | <u>8,158</u> |
| Total current liabilities | 58,942 | 61,740 | 34,042 | 39,835 | 24,900 | 21,905 |
| Notes payable, less current portion | 15,399 | 19,533 | 13,000 | 17,000 | 2,399 | 2,533 |
| Minority interests in foreign subsidiaries | 3,845 | 3,844 | — | — | 3,845 | 3,844 |
| Reserve for foreign operations | <u>14,896</u> | <u>14,916</u> | <u>—</u> | <u>—</u> | <u>14,896</u> | <u>14,916</u> |
| Stockholders' Equity | <u>281,523</u> | <u>278,442</u> | <u>221,805</u> | <u>220,150</u> | <u>59,718</u> | <u>58,292</u> |
| | <u>\$374,605</u> | <u>\$378,475</u> | <u>\$268,847</u> | <u>\$276,985</u> | <u>\$105,758</u> | <u>\$101,490</u> |

(A) Exclusive of dividends received from consolidated foreign subsidiaries

STATISTICAL SUMMARIES

DOLLAR AMOUNTS IN THOUSANDS EXCEPT AS INDICATED

Statistics

| | 1960 | 1959 | 1958 | 1957 | 1956 |
|--|----------------|----------------|----------------|----------------|----------------|
| Sales | | | | | |
| U. S. Company | \$353,356 | \$397,148 | \$350,060 | \$367,439 | \$400,176 |
| Foreign subsidiaries | 126,880 | 120,265 | 126,560 | 115,441 | 112,733 |
| Consolidated | <u>480,236</u> | <u>517,413</u> | <u>476,620</u> | <u>482,880</u> | <u>512,909</u> |
| Net income | | | | | |
| U. S. Company ^(A) | 4,522 | 11,074 | 4,914 | 6,799 | 14,293 |
| Foreign subsidiaries | 8,667 | 10,297 | 10,073 | 8,620 | 9,237 |
| Consolidated | <u>13,189</u> | <u>21,371</u> | <u>14,987</u> | <u>15,419</u> | <u>23,530</u> |
| Per share of common stock . . | 1.10 | 1.80 | 1.25 | 1.29 | 1.98 |
| Dividends paid on common stock | | | | | |
| Total | 9,347 | 8,775 | 6,440 | 12,881 | 16,394 |
| Per share of common stock . . | .80 | .75 | .55 | 1.10 | 1.40 |
| Common stockholders' equity in net assets | | | | | |
| U. S. Company | 217,419 | 215,764 | 209,882 | 207,525 | 208,189 |
| Foreign subsidiaries | 59,718 | 58,292 | 52,240 | 46,357 | 43,463 |
| Total | <u>277,137</u> | <u>274,056</u> | <u>262,122</u> | <u>253,882</u> | <u>251,652</u> |
| Per share of common stock . . | 23.79 | 23.45 | 22.38 | 21.68 | 21.49 |
| Net current assets | | | | | |
| U. S. Company | 126,056 | 126,510 | 113,088 | 109,440 | 113,724 |
| Foreign subsidiaries | 38,452 | 36,626 | 33,190 | 32,758 | 34,412 |
| Total | <u>164,508</u> | <u>163,136</u> | <u>146,278</u> | <u>142,198</u> | <u>148,136</u> |
| Property, plant and equipment, net | | | | | |
| U. S. Company | 103,696 | 107,772 | 110,684 | 111,925 | 96,045 |
| Foreign subsidiaries | 41,143 | 40,137 | 38,849 | 36,091 | 30,800 |
| Total | <u>144,839</u> | <u>147,909</u> | <u>149,533</u> | <u>148,016</u> | <u>126,845</u> |
| Capital expenditures | | | | | |
| U. S. Company | 9,174 | 8,259 | 10,099 | 25,387 | 15,897 |
| Foreign subsidiaries | 6,073 | 6,277 | 6,766 | 9,074 | 6,434 |
| Total | <u>15,247</u> | <u>14,536</u> | <u>16,865</u> | <u>34,461</u> | <u>22,331</u> |
| Provision for depreciation | | | | | |
| U. S. Company | 9,990 | 10,386 | 9,378 | 9,120 | 7,392 |
| Foreign subsidiaries | 5,020 | 4,801 | 4,076 | 3,669 | 2,871 |
| Total | <u>15,010</u> | <u>15,187</u> | <u>13,454</u> | <u>12,789</u> | <u>10,263</u> |
| Average number of employees | | | | | |
| U. S. Company | 20,700 | 22,000 | 21,600 | 23,200 | 25,600 |
| Foreign subsidiaries | 15,500 | 15,100 | 15,800 | 16,200 | 14,700 |
| Total | <u>36,200</u> | <u>37,100</u> | <u>37,400</u> | <u>39,400</u> | <u>40,300</u> |

(A) Exclusive of dividends received from consolidated foreign subsidiaries

Notes to Financial Statements

1. All subsidiaries are included in the consolidated financial statements except the Brazilian subsidiary which is still in the development stage.

2. Inventories aggregating \$42,713,642 at December 31, 1960 were priced at cost on a "last-in, first-out" basis. As a result of the application of this method, the carrying value of these inventories is approximately \$15,645,000 below current cost. The remainder of the inventories totaling \$74,174,679 was priced at cost or market, whichever was lower, cost being determined in part on a "first-in, first-out" basis and part on an average cost basis.

3. The details of notes payable at December 31, 1960 (excluding 1961 installments included in "Current Liabilities") follow:

U. S. Company

| | |
|---|--------------|
| 4½ % Term notes payable (under credit agreement dated January 1, 1957) which, subject to the right of prepayment, mature in quarterly installments to January 1, 1964 | \$13,000,000 |
|---|--------------|

Foreign Subsidiaries

| | |
|--|--------------|
| 5½ % Promissory notes due in annual installments from 1962 to 1977 | 2,200,000 |
| Other | 198,720 |
| | \$15,398,720 |

In accordance with the credit agreement dated January 1, 1957, earned surplus of the U. S. Company is restricted with respect to payment of dividends. At December 31, 1960, the earned surplus of the U. S. Company amounted to \$124,308,205 of which \$104,959,776 was covered by this restriction.

4. Reference is made to Page 6 with respect to the consent decree signed in connection with the anti-

trust suit. Net fixed assets of \$8,343,078 and inventories of \$5,148,677 at December 31, 1960 are subject to this decree.

5. Contributions to the Company's pension plans totaled \$3,981,787 in 1960 and \$4,802,543 in 1959. After giving effect to an increase in the assumed interest rate which was offset in part by additional cost of improved pension benefits, the estimated unfunded past service cost at December 31, 1960 amounted to \$19,000,000.

6. Under the Restricted Stock Option Plan adopted in 1959, 500,000 shares of common stock may be optioned to key employees of the Company and its subsidiaries. Option prices may not be less than the fair market value on the date the option is granted and the options may not be granted after September 9, 1969. The Company may deliver either unissued shares or shares acquired and held in its treasury.

At December 31, 1960 there were options outstanding to purchase a total of 180,500 shares at \$14.63 per share. All options expire ten years from the date of grant, except that options covering 79,500 shares are for shorter terms expiring not more than three months after the normal retirement of the respective optionees. All options granted are exercisable in installments on a cumulative basis over the life of the option, the first installment being exercisable October 1, 1961.

At December 31, 1959, 189,500 shares were subject to option. During the year 1960, options for 9,000 shares were terminated and no options were exercised.

7. No awards were made under the Management Incentive Plan approved by the stockholders in May 1960.

Division Executives

U. S. Operating Divisions

Home Products Group

WILLIAM A. BAUER, Group Vice President
JOSEPH J. DECKER, President
Plumbing and Heating Division, New York, N.Y.
WELLS A. GARDNER, President
Youngstown Kitchens Division, Warren, Ohio
CLYDE H. WILKINSON, President
Air Conditioning Division, New York, N.Y.
RICHARD A. WITHERELL, President
C.F. Church Division, Holyoke, Mass.

Engineered Products Group

DONALD D. COUCH, Group Vice President
ALBERT O'B. ANDREWS, President
Industrial Division, Detroit, Michigan
ROBERT L. CLEVELAND, President
Tonawanda Iron Division, No. Tonawanda, N. Y.
FILIPP J. KREISSL, President
Controls Division, Detroit, Michigan
E. JUSTIN WILSON, President
Advanced Technology Laboratories Division,
Mountain View, California
C. GILMORE RUSTON, President, Amstan Supply Division, Pittsburgh, Pa.

Corporation Service Divisions

JOHN T. BURWELL, Jr., Director
Research Division
DAVID A. DE WAHL, Secretary
Legal and Corporate Affairs Division
GERALD F. GAMBER, Vice President
Personnel Administration Division

ROBERT E. HARROFF, Director
Manufacturing Services Division
ROBERT W. LEAR, Director
Marketing Services Division
HOWARD L. SPINDLER, Vice President
Public Relations Division
LAURENCE C. WARD, Vice President
Control and Finance Division

Canadian Subsidiary

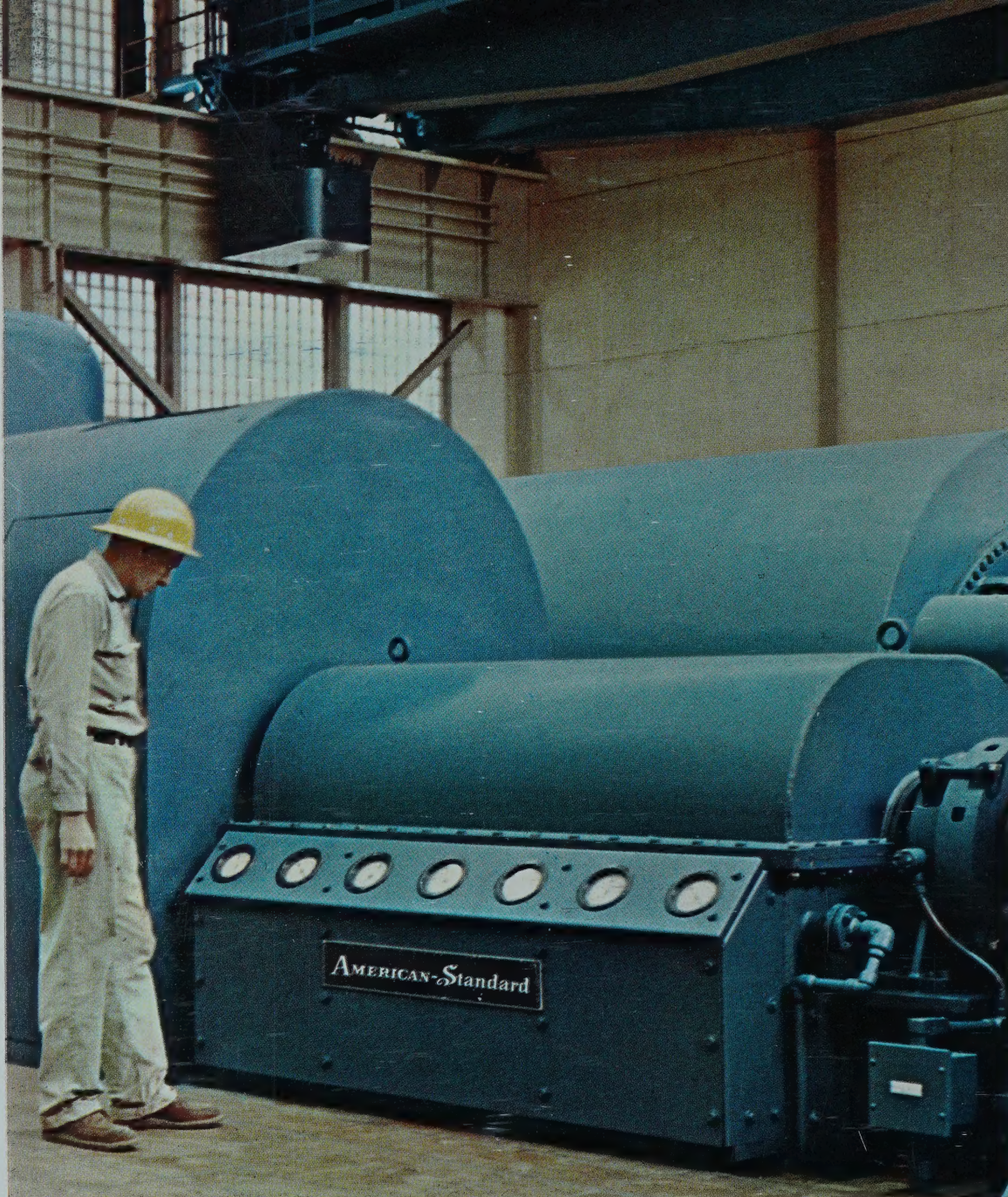
CLARENCE W. JOHNSON, President, American-Standard Products (Canada) Limited, Toronto, Canada

Foreign Subsidiaries

JOHN K. MILLER, Vice President, International Operations, New York, N. Y.

LUIS E. CAMPELLO, Managing Director
Ideal-Standard S.A., Sao Paulo, Brazil
ROBERT CHARCUSSET, Managing Director
Ideal-Standard S.A., Paris, France
RUDOLPH GÖTZ, Managing Director
Ideal-Standard G.m.b.H., Vienna, Austria
GEORG HANSSON, Managing Director
Ideal-Standard A.B., Stockholm, Sweden
GERHARD LAU, Managing Director
Ideal-Standard G.m.b.H., Bonn, Germany

PAUL LEBRUN, Managing Director
Ideal-Standard S.A., Brussels, Belgium
LUIGI MILANI, Managing Director
Ideal-Standard S.p.A., Milan, Italy
CORNELIUS SANTIFORT, Managing Director
Ideal-Standard (Holland) N.V., Amsterdam
RONALD H. THORNLEY, Managing Director
Ideal Boilers & Radiators Limited, London, England
MAX ULLRICH, Managing Director
Ideal-Standard A.G., Dulliken, Switzerland



This American-Standard fluid drive is installed in the Bergen, N. J., station of Public Service Electric and Gas Company.



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In the operation of the complex machinery used in electric power generation today, complete control of driving power transmission is essential. That's why American-Standard variable speed drives are performing this job in utilities throughout the country.